

Richard A. White, Jr.
Retirement Administrator



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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: May 8, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator 
Subject: Monthly Financial Report

A. Financial Reports

The monthly reports for March, 2013 (preliminary version) are included for your review.

1. **Statement of Plan Net Assets.**

- This report details a “snapshot” of account balances for the period covered and the fiscal year to date activity. The report indicates the assets available for future payments to retirees and any current liabilities owed.

2. **Statement of Changes in Plan Net Assets.**

- This report details a view of the current fiscal year additions to and deductions from the plan and covers the most recently available and the fiscal year to date activity.

3. **Cash Flow Analysis.**

- This report is a ‘snapshot’ of the cash available to MCERA during the reporting period. MCERA monitors the cash within the fund in accordance with the cash flow policy.

4. **Vendor Ledger.**

- This report is generated from the Peachtree accounting system and includes vendor transactions and balances for the month of April, 2013.

5. **Update on Kings Court Asset**

- As the Board is aware, the Kings Court building is an asset of the MCERA trust fund and is so reflected in the investment statements. This month there were a couple of noteworthy items for the Board’s reference regarding the Kings Court asset, including an updated approach to the next Fiscal Year budget and to the tracking of actual building expenses in this year’s budget.
- The asset is owned by the MCERA trust fund which has two tenants in the building, MCERA and the State of California. Both tenants lease their respective office suites from the trust fund. The State of California pays a monthly lease fee for their space and MCERA is charged with ‘imputed rent’ on a monthly basis for its space. The ‘imputed rent’ expense for the upcoming budget was calculated using the actual per square foot charged to

the State of California. The rent is considered 'imputed' because there is not an actual exchange of funds although the expense is attributed to MCERA as an expense in an accounting transaction.

- Incorporated into the lease payments by the tenants are the various expenses associated with the operation of the office spaces, such as utilities, landscape maintenance, security and insurance that are paid by the trust fund.
- The Fiscal Year 2013-2014 budget was changed to reflect the building expenses being incorporated into the 'imputed rent' expense. This rent expense is recorded as an 'administrative expense' of MCERA.
- Our accountant recently set-up tracking reports in the Peachtree software to better track the rental income and building expenses associated with the Kings Court trust fund asset.

1. The report included in this agenda item shows the actual rental income and building expenses through March 31, 2013.

- It is noted that the rental income for March, 2013 (the 'current month') is high which reflects the 'one-time' general ledger journal entry to catch-up our accounting records to record the MCERA 'imputed rent' from July, 2012 to present month.
- Additionally, the building expenses reflect a 'one time' charge for utilities which were being paid by the State of California for their office suite but which should have been paid by the trust fund.
 - This error in billing goes back to the beginning of the lease agreement (May 1, 2011) and was discovered by the State during the course of a routine audit of the lease in February, 2013.
 - The State of California had been receiving a direct bill for electricity and gas that they paid monthly. As provided for in the lease, these bills should have been received by the trust fund and paid for out of the monthly lease amount paid by the tenant. The State submitted a bill for the reimbursement of these charges and that amount is reflected in this category. The billing has been corrected.

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Attachment(s).

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS**

**March 31, 2013
Preliminary**

ASSETS

CASH AND EQUIVALENTS

Trust Cash-held at county	\$ 1,961,676	
TOTAL CASH AND EQUIVALENTS		1,961,676

CURRENT ASSETS

Accounts Receivable	3,000	
Recoupments	726	
TOTAL CURRENT ASSETS		3,726

PROPERTY AND EQUIPMENT

Equipment	3,786	
TOTAL PROPERTY AND EQUIPMENT		3,786

INVESTMENTS, ADJUSTED TO MARKET

Unrealized Gain(Loss) Invest	57,582,129	
Fixed Income	90,619,505	
International Equities	86,115,122	
Small Cap Equities	21,033,686	
Mid Cap Equities	13,452,353	
Large Cap Equities	80,861,547	
Real Estate	29,830,475	
TOTAL INVESTMENTS, AT MARKET		379,494,817

TOTAL ASSETS	\$	381,464,005
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 16,818	
AMCRE Dues	817	
Wage Attachments	177	
Accrued Wages - 1920 Account	292,639	
PEDIT Trust Dental	18,912	
AFLAC INSURANCE	3,487	
Buck Settlement Reserve	248,093	
TOTAL CURRENT LIABILITIES		580,943

TOTAL NET ASSETS	\$	380,883,062
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Note: This statement is preliminary and subject to change throughout the fiscal quarter as new information becomes available

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Nine Months Ended March 31, 2013
Preliminary

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
Employer	\$ 1,048,061	\$ 10,506,254
Plan Members	355,670	3,310,170
	1,403,731	13,816,424
INVESTMENT INCOME		
Unrealized Gain/(Loss) Invests	12,331,541	28,702,947
Rental Income, Net of Expenses	24,350	48,436
Interest	0	18,018
Dividends	724,762	6,275,370
Capital Gains	0	9,994,643
Less Investment Expense	0	(348,270)
	13,080,653	44,691,144
Net Investment Income	13,080,653	44,691,144
	14,484,384	58,507,568
DEDUCTIONS		
Benefit Payment, Subsidies, & Refunds	(2,153,683)	(19,771,149)
Administrative Expenses	(106,036)	(590,163)
	2,259,719	20,361,312
TOTAL DEDUCTIONS	2,259,719	20,361,312
Increase (Decrease) in Net Assets	12,224,665	38,146,256
NET ASSETS		
Beginning of Period	368,658,401	342,736,812
End of Period	\$ 380,883,066	\$ 380,883,068

Note: This statement is preliminary and subject to change throughout the fiscal quarter as new information becomes available

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
For the Nine Months Ended March 31, 2013
Preliminary

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
Employer	1,048,061	10,506,254
Plan Member	355,670	3,310,170
	1,403,731	13,816,424
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		
Rental Income, Net of Expenses	24,350	48,436
Interest	0	18,018
Dividends	542,483	2,702,799
Capital Gains	0	0
Less Investment Expense	0	(348,270)
	566,833	2,420,983
TOTAL INVESTMENT INCOME		
	1,970,564	16,237,407
TOTAL ADDITIONS		
DEDUCTIONS		
Benefit Payments and Subsidies	(2,153,681)	(19,771,149)
Administrative Expenses	(106,036)	(590,163)
	(2,259,717)	(20,361,312)
TOTAL DEDUCTIONS		
OTHER INCREASES/(DECREASES)		
Accounts Receivable	261	(1,072)
Accounts Payable	40,844	178,885
Buck Settlement	0	0
Sale/Purchase of Investments	0	3,273,248
	41,105	3,451,061
TOTAL OTHER INCREASES/(DECREASES)		
INCREASE (DECREASE) IN CASH	\$ (248,048)	\$ (672,844)
SUMMARY		
Cash at End of Period	\$ 1,961,676	\$ 1,961,676
Cash at Beginning of Period	2,209,730	2,634,526
INCREASE (DECREASE) IN CASH	\$ (248,054)	\$ (672,850)

Note: This statement is preliminary and subject to change throughout the fiscal quarter as new information becomes available

Mendocino County Employees' Retirement Association
Investment Income - Owned Real Estate
For the Nine Months Ending March 31, 2013

	Current Month		Year to Date	
Revenues				
RENTAL INCOME	\$ 44,734.70	0.34	\$ 89,077.60	0.20
	<u>44,734.70</u>	<u>0.34</u>	<u>89,077.60</u>	<u>0.20</u>
Total Revenues				
	<u>44,734.70</u>	<u>0.34</u>	<u>89,077.60</u>	<u>0.20</u>
Building Expenses				
BUILDING EXPENSES	16,935.11	0.13	17,499.73	0.04
LANDSCAPE & MAINTENANCE	1,670.00	0.01	12,616.08	0.03
SECURITY	315.96	0.00	1,802.10	0.00
INSURANCE	0.00	0.00	2,342.00	0.01
UTILITIES	1,463.98	0.01	6,382.29	0.01
	<u>20,385.05</u>	<u>0.16</u>	<u>40,642.20</u>	<u>0.09</u>
Total building operating expenses				
	<u>20,385.05</u>	<u>0.16</u>	<u>40,642.20</u>	<u>0.09</u>
Net Income	\$ 24,349.65	0.19	\$ 48,435.40	0.11
	<u><u>24,349.65</u></u>	<u><u>0.19</u></u>	<u><u>48,435.40</u></u>	<u><u>0.11</u></u>

**Mendocino County Employees' Retirement Association
Owned Real Estate Investment Income
Budget Calculations
Fiscal Year Ended
June 30, 2013**

	<u>Current Year</u>				<u>2013 Budget</u>		
	MCERA	St of California	Current Year		MCERA	St of California	Total
			Actual through 3/31/13	Annualized			
Total Rental Income	\$38,400	\$ 50,678	\$ 89,078	\$ 127,271	\$51,531	\$ 76,507	\$ 128,038
Building expenses			17,500	23,333			24,500
Landscape and maintenance			12,616	16,821			17,662
Security			1,802	2,403			2,523
Insurance			2,342	3,123			3,279
Utilities			6,382	8,509			8,935
			-	-			
Total expenses			<u>40,642</u>	<u>54,189</u>			<u>56,899</u>
Net investment income			<u>\$ 48,436</u>	<u>\$ 73,082</u>			<u>71,139</u>

5%
increase
over 2012

Square Footage	2,244	3,695	2,244	3,695
Rent per square foot	1.90	1.71	1.91	1.73
Monthly rent	-	-	-	-
	<u>\$ 4,267</u>	<u>\$ 6,335</u>	<u>\$ 4,294</u>	<u>\$ 6,376</u>
Annual Rent	<u>\$51,200</u>	<u>\$ 76,016</u>	<u>\$51,531</u>	<u>\$ 76,507</u>
MCERA rent premium	<u>110.91%</u>		<u>110.91%</u>	

Square Footage

State of California per lease	3,695
MCERA (34' X 66')	2,244
Common Area (derived)	1,491
	-
Total Square footage	<u>7,430</u>

April 16, 2013

File No.: 3438-001

Mendocino County Employees
Retirement Association
625 B Kings Court,
Ukiah, CA 95482

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The Mendocino County Employees
Retirement Association

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**LEASED PREMISES LOCATED AT
625 KINGS COURT, UKIAH, CALIFORNIA**

Dear Ladies and Gentlemen:

As Lessee under our referenced lease, the Department of General Services, Real Estate Services has been contacted by the Department of Rehabilitation (DOR) and advised that they have been paying for the utilities for the leased space located at the subject address. According to Paragraph 13 of lease dated October 30, 2009, as amended May 1, 2011 the Lessor is responsible for all electricity and gas for this space.

The Department of Rehabilitation paid for the electricity from April 13, 2011 until January 15, 2013 in the amount of \$12,399.97. They also paid for the gas from April 6, 2011 until February 4, 2013 in the amount of \$4,418.50 for a total of \$16,818.47.

The Department of Rehabilitation is requesting a refund in the amount of \$16,818.47 to cover the funds owed the State.

Please make a check out to the Department of Rehabilitation and send it to the following address:

**Department of Rehabilitation
Attn: Clint Vigen
721 Capitol Mall
Sacramento, CA 95814**

Your earliest attention to this request will be appreciated. If you have any questions, please contact me at 375-4178 or via FAX at (916) 375-4173.

Sincerely,



KATHLEEN ROTH AUS
Associate Real Estate Officer
Lease Management

KR:MG:at

Attachment: (22 pages)

cc: Clint Vigen IMS: B-22
Department of Rehabilitation
721 Capitol Mall
Sacramento, CA 95814

PG&E			City of Ukiah			
281	4/6/2011		352.04	4/13/2011		
173.49	5/6/2011		361.77	5/18/2011		
123.32	6/7/2011		534.17	6/16/2011		
32.7	7/8/2011		623.24	7/13/2011		
21.85	8/7/2011		924.97	8/11/2011		
18.91	9/7/2011		930.27	9/14/2011		
46.81	10/5/2011		783.06	10/12/2011		
129.51	11/3/2011		597.34	11/9/2011		
433.13	12/5/2011		274.37	12/14/2011		
555.77	1/5/2012		387.9	1/12/2012		
499.78	2/3/2012		325.55	2/13/2012		
386.02	3/6/2012		316.3	3/13/2012		
306.21	4/4/2012		354.38	4/10/2012		
164.04	5/4/2012		381.74	5/14/2012		GRAND
70.62	6/5/2012		581.39	6/13/2012		TOTAL
52.73	7/5/2012		791.52	7/12/2012		16,818.47
30.99	8/3/2012		909.04	8/15/2012		
36.96	9/4/2012		949.03	9/12/2012		
55.19	10/3/2012		770.78	10/10/2012		
116.23	11/1/2012		660.93	11/14/2012		
309.67	12/4/2012		344.74	12/11/2012		
455.61	1/4/2013		245.44	1/15/2013		
117.96	2/14/2013					
4418.5	Total		12399.97	Total		

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